



CONSENT CALENDAR

City of San Bernardino Request for Council Action

Date: August 7, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager;
Jeannie Fortune, Interim Director of Finance & Management Services

Department: Finance & Management Services

Subject: **Resolution to Approve the City Investment Policy for FY 2024/25 (All Wards)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino, California, adopt Resolution No. 2024-172, approving the current investment policy for FY 2024/25.

Executive Summary

This action approves the Investment Policy that governs the cash, treasury, and investment management functions of the City. This Policy requires annual approval by the Mayor and City Council. There are no changes to the existing Policy which was approved for FY 2023/24.

Background

State law requires that all municipalities have an investment policy approved by its governing board and that it approves the policy on an annual basis. The investment policy serves as the foundation of a local agency's investment goals and priorities. The investment policy is carefully researched, effectively drafted, and reviewed regularly to ensure that it continues to meet the agency's goals/priorities for its portfolio and to help protect the assets of the organization. A good investment policy encompasses the cash, treasury, and investment management functions of an agency. It serves as a guide for setting and achieving program objectives, defines rules and establishes benchmarks, and reduces the exposure to liability. An approved investment policy demonstrates that the governing body is performing its fiduciary responsibilities, thereby instilling trust and confidence in the public it serves.

Discussion

POLICY UPDATE / REVISION

The Finance Department is responsible for submitting the Investment Policy for adoption by the Mayor and City Council on an annual basis. The City's Investment policy was recently awarded a California Municipal Treasurer's Association Investment Policy Certification designation. This certification recognizes that the City of San Bernardino's investment policy adheres to the State of California Government Code and meets the program requirements within 18 different topic areas deemed to be best practices for investment policies.

The Investment Policy for FY 2024/25 focuses on three key areas in relation to the management of the City's investment portfolio:

- (1) Safety – Maintaining the safety of principal,
- (2) Liquidity – Retaining sufficient liquidity to ensure that cash is readily available as needed to meet the City's anticipated obligations, and
- (3) Yield – Achieving a competitive market rate of return.

The purpose of the Investment Policy is to establish cash management and investment guidelines for the investment of the City's idle cash balances. This policy shall apply to each investment transaction and the entire portfolio, which must comply with the California Government Code Sections 53600 through 53683 and all other applicable laws and regulations.

The California Debt and Investment Advisory Commission, who provides information, education, and technical assistance on debt issuance and public fund investments to local agencies, updated the Local Agency Investment Guidelines, reflecting California statutory changes to Government Code Sections 53601 and Chapter II: Fund Management effective as of January 1, 2024.

Government Code Section 53601

SB882, the Local Government Omnibus Act of 2023, amended Government Code Section 53601 to clarify limitations imposed on public investment in a privately issued mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond that are not issued or guaranteed by a public agency or issuer identified in subdivision (b) or (f). These types of securities, issued by private companies, are permissible investments under subdivision (c) so long as they meet the following limitations:

- (1) Rated in a rating category of "AA" or its equivalent or better;
- (2) Have a maximum remaining maturity of five years or less; and,
- (3) Do not exceed the 20% of the local agency's portfolio.

The City's current Investment Policy Chapter III, Section F states: *The investments listed in this policy are authorized investments pursuant to Sections 53601 and 53635...."*

Since the City's Investment Policy is governed by Section 53601, there are no changes necessary to the City's Investment Policy as a result of this update.

2024 Local Agency Investment Guidelines - Chapter II: Fund Management

The 2024 Local Agency Investment Guidelines include changes to Chapter II: Fund Management. New guidance has been added to Chapter 2, Fund Management, II.D. to help an agency determine the funds available for investment and funds to include when calculating portfolio concentration limitations. Chapter 2, II.M. now includes statements regarding the impermissibility of exchange-traded funds (ETFs) for public investment portfolios.

Revisions to Chapter II: Fund Management does not affect the City's Investment Policy.

There are no changes to the Investment Policy for Fiscal Years 2024/25. Moving forward, the annual adoption of the Investment Policy will be included in conjunction with the adoption of the new biennial budget cycles.

Annual approval by City Council of the Investment Policy signifies that the legislative body shares fiduciary responsibility with the City, increases authority and legitimacy of the investment policy, and provides transparency and disclosure.

2021-2025 Strategic Targets and Goals

Approval of the City's Investment Policy for FY 2024/25 aligns with Key Target No. 1: Financial Stability. The annual approval of the City's Investment Policy is a requirement of state law as it pertains to managing the investment of City funds and provides guidance to the Director of Finance & Management Services to execute this Charter-designated responsibility.

Fiscal Impact

The proposed action has no specific fiscal impact. Given the current interest rate environment, the City's investment portfolio totals approximately \$340 million and generates approximately \$1 million in annual investment income. The adopted budgets for both fiscal years incorporated projected interest earnings for FY 2024/25.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino, California, adopt Resolution No. 2024-XX, approving the current investment policy for FY 2024/25.

Attachments

1. Attachment 1 – Resolution 2024-XXX
2. Attachment 2 – Exhibit A – Investment Policy

Ward:

All Wards

Synopsis of Previous Council Actions: N/A